

Authority
7 CFR 226.15(f)
7 CFR 226.23

400. Tiering Determination

Sponsoring organizations are responsible for determining family child care homes as Tier I, Tier II or Tier II Mixed. Sponsoring organizations must properly implement the requirements for Tier I and II classifications and maintain the appropriate documentation to support the determination of each family or group home. If the Sponsoring Organization is not able to verify that the home meets the Tier I criteria, the home must be classified as a Tier II home.

401. Tier I Determination

Family child care homes participating in the CACFP are classified as Tier I homes either by virtue of area eligibility or by the providers' individual household income. Once the home has been determined as Tier I, all CACFP meals served to enrolled children are reimbursed at the Tier I rate. If the Tier I determination is based upon area eligibility, the provider must complete an income application and financially qualify in order to receive reimbursement for meals served to his/her own children. Tier I eligibility is defined as:

- A family child care home located in an area served by a school enrolling public elementary students in which at least 50 percent of the total number of children enrolled are qualified eligible to receive free or reduced price meals, or
- A family child care home that is located in a geographic area, defined by a U.S. Census tract, in which at least 50 percent of the children residing in the area are members of households meeting the income standards for free or reduced price meals
- A provider's household income may also be used to classify a home as Tier I. The Sponsoring Organization must verify the provider's household income.

1. Area Eligibility

When determining the area eligibility of a family child care home for Tier I rates, a Sponsoring Organization should review school data first since it is more recent and representative of an area's current socio-economic status. In addition, sponsoring organizations can obtain area information by reviewing census data at www.fairdata2000.com. A Sponsoring Organization must determine and document school attendance area information for each family child care home. The State Agency is responsible for making available information such as the free and reduced price/school lunch report at <http://www.ade.az.gov/health-safety/cnp/frpercentages/>. District boundary information can be found by accessing the website for the school district in question.

2. Income Verification

It is the Sponsoring Organization's responsibility to compare the household size and the total household income to the income eligibility guidelines for the current fiscal year. Households must report current income on the income eligibility application. Current income is defined as income received on a recurring basis by the household during the month prior to completing the application. Sponsoring Organizations must consider the gross earned income (unless specifically excluded by legislation) unless the wage earner is self-employed in which case net income is considered for purposes of determination. Gross income is all income received before deductions such as income taxes, employee's social security taxes, insurance premiums, and bonds. Income includes the household's gross earnings, wages, welfare, pension, alimony and child support payments, unemployment compensation, social security and additional cash received or withdrawn from another source, including savings, investments, trust accounts and other resources. The following income sources do not have to be reported or counted as income in the determination of a household's eligibility for free and reduced price benefits. A list of these income exclusions are listed below:

- Loans - from financial institutions because it is a temporary source of income that must be repaid
- Student Financial assistance – funds received for the cost of attendance in an educational institution. Examples; grants and scholarships
- Military Housing (on base only) – On base military housing or any other in-kind benefit received from the military
- Occasional earnings – funds received on an irregular basis, such as occasional baby-sitting or mowing lawns
- Overtime earnings only if the overtime is not regularly occurring; the threshold for “regularly occurring” consists of overtime earned during more than half of the pay periods for the previous year.
- Cash income or benefits from Federal programs that are excluded by legislation. See [Exhibit I](#) for [Federal Programs](#).

To verify the provider's household income the Sponsoring Organization must:

- A. For providers living in a Tier II area: Have a provider file a completed income application statement that lists all household members and their respective income, or provide categorical eligibility information on establishing household eligibility.

If the provider is eligible by income, an income and expense sheet must be completed. When any other members of the household are working and contributing to the family unit income, a copy of at least two consecutive pay stubs must be submitted to the Sponsoring Organization by all the working members in order to verify the income. If the provider does not fill out an income and expense sheet, a signed copy of the most recent 1040 income tax return, including Schedule C (if applicable), must be used as verification of income.

- B. On the income application statement, verify the calculations are correct and the total household income and family size are within the current income eligibility guidelines.

3. Categorical Eligibility

A provider may meet the criteria for free or reduced meals by qualifying for benefits from Food Stamps, the Food Distribution Program on Indian Reservation (FDPIR), or certain State programs providing Temporary Assistance to Needy Families (TANF) benefits. The following information must be verified by the Sponsoring Organization using:

- A current “Notice of Eligibility” ([See Exhibit I](#)) for Food Stamp benefits;
- Current certification to participate in the FDPIR or certain State TANF programs; or
- Award letters from the welfare department or other government agencies which describes the household's eligibility to receive these benefits.

Note: A Food Stamp document or one from another categorically eligible program that does not specify the certification period is not adequate for documentation. Please note that a copy of a public assistance program identification card or letter is not acceptable as verification unless it contains an expiration date.

402. Tier II Determination

A family child care home that does not meet the criteria as a Tier I home is considered a Tier II home. A Tier II home may still receive Tier I rates for those children enrolled in care who are individually determined to be eligible for Tier I reimbursement. These homes are determined to be Mixed Tier II homes. In order for this to occur any of the children's families must meet income or categorical eligibility requirements.

1. **Income Eligibility**

The family must be determined “income eligible.” This process requires the parent(s) or guardian(s) to complete an income application and submit the form to the provider’s Sponsoring Organization for tiering reimbursement determination. To maintain confidentiality of households of the applicants, Sponsoring Organization’s are prohibited from making Tier I eligibility information available to their child care providers unless the parent has signed a waiver allowing that information to be shared with their child(ren)’s provider. Sponsors may only inform Tier II homes of the number of children determined by the sponsor as eligible for Tier I benefits. The provider has the option to decide if they would like to take advantage of this option, and must elect to do so in writing by completing a “Choice of Reimbursement” Form.

The Tier II provider must submit a written request to the Sponsoring Organization for this type of tiering determination. Providers are allowed to distribute the blank income applications to families of children enrolling in their care. Providers must be instructed that the income applications must be returned to the Sponsoring Organization by the families; typically Sponsoring Organizations will include a self-addressed stamped envelope with the parent income application to facilitate this.

2. **Categorical Eligibility**

The family is categorically eligible by virtue of participating in the food stamp, Food Distribution Program on Indian Reservation (FDPIR), or certain State programs for Temporary Assistance to Needy Families (TANF). Please refer to the current income application for a complete listing of State programs meeting the Tier I reimbursement income qualifications. The State Agency will notify Sponsoring Organizations of any changes to these categorically eligible programs.

Note: The Sponsoring Organization may reimburse Mixed Tier II providers on the basis of actual meal counts, a claiming percentage or a mixed rate as approved by the State Agency. Claimed percentage rates must be recalculated at least every six months.

403. **Elementary School Redetermination**

Tier I determination based upon elementary school free and reduced price enrollment data is valid for a period of five years. If free and reduced price enrollment data is reduced to less than 50% during the determination period, the provider is still classified as a Tier I provider for the remaining time frame. However new providers who subsequently enter the program and live in the same area, or who move within that area or from that area to another area and back, must be determined by the most recent data obtained. Therefore it is possible for two providers to live in the same elementary school area and be classified differently.

Exhibit I*Federal Programs Excluded by Legislation*

1. The value of assistance to children and their families under the National School Lunch Act, the Child Nutrition Act of 1966 and Food Stamp Act of 1977;
2. Reimbursements from the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970;
3. And payment to volunteers under Title I (VISTA and others) and Title II (RSVP, foster grandparents, and others) of the Domestic Volunteer Service Act of 1973 to the extent excluded by that Act;
4. Payments to volunteers under section 8(b) (1)(B) of the Small Business Act (SCORE and ACE;
5. Income derived from certain sub-marginal land of the U.S. that is held in trust for certain Indian tribes;
6. Payments received under the Employment Administration (Jobs Program)
7. Income derived from the disposition of funds to the Grand River Band of Ottawa Indians;
8. Payments received under the Alaska Native Claims Settlement Act;
9. Payments by the Indian Claims Commission or the Confederated Tribes and Bands of the Yakima Indian Nation or the Apache Tribe of the Mescalero Reservation;
10. Payments to the Passamaquoddy Tribe and the Penobscot Nation or any of their members received pursuant to the Maine Indian Claims Settlement Act of 1980;
11. Student financial assistance received under Title IV of the Higher Education Act of 1965, including the Pell Grant Supplemental Education Opportunity Grant, State Students Incentive Grants, National Direct Student Loan, PLUS, College work Study, and Byrd Honor Scholarship Programs, to the extent excluded by the Act;
12. Agent Orange Settlement Payments to veterans, that have been excluded under Public Law 10-201;
13. Payments received under the civil Liberties Act of 1988; and
14. Cash Assistance and Child Care Development Block Grant Fund (P.L. 104-193) benefits